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Second Inaugural Message

of

Governor Ernest Lister.

Delivered To The

Fifteenth Legislature
1917

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1917

STATE OF WASHINGTON

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EXECUTIVE DEPARTMENT

OLYMPIA, WASHINGTON, January 10, 1917.

Members of the Senate and the House of Representatives:

Selected by my fellow citizens for a second time to represent them in the highest position within their gift, I take this opportunity to express my deep gratitude and appreciation for the honor bestowed upon me. It is my hope that I may be able to serve them worthily and that, at the close of my term, I shall have, to a small degree at least, rendered service that has been of some real benefit to the State and its people.

FINANCES.

During the four years just past, I have endeavored to bring about a better condition in the financial affairs of the State and feel today that the situation existing, in connection with the State's finances, justifies the statement that with the beginning of the year 1917, we are in better financial condition than ever before in the State's history.

The financial statement which follows shows that there was an overdraft in the general fund at the close of business on December 31, 1912, amounting to $369,327.69. At the close of business on December 31, 1914, there was a balance of $400,016.37 in the general fund, and at the close of business on December 31, 1916 the general fund shows a balance on hand amounting to $1,083,674.37. While this fund will be called upon to meet the current expenses of State Government during the next three months, and also the expenses incurred in connection with the biennial session of your Honorable Body, yet I feel sure that with the taxes which will be paid in prior to April 1st, we will begin the next fiscal year on that date with a balance on hand, in the general fund, of not less than $1,000,000.00.

RETIREMENT OF OUTSTANDING BONDS.

With this most excellent condition existing it appears to me that your Honorable Body would be following the lines of good business judgment by authorizing the retirement of all bonds now outstanding against the State. As I view the matter, it is much better to take this action at a time when we have funds on hand, not required for the general operating expenses of the State Government, than to allow the bonds to remain an indebtedness against the State until their maturity, with the possibility at that time of finding it necessary to make a special levy for the purpose of raising moneys to pay them off.

The only bonds outstanding which are properly payable from the general fund are the Normal School Bonds, amounting to $206,024.00. While these bonds are not yet due, under their terms the State now has the right to retire them at any interest-paying date. I strongly urge that an appropriation of $209,-114.36 be made by your Honorable Body from the general fund, for the purpose of retiring these bonds and paying interest, so that on June 10, 1917, this bonded indebtedness can be entirely paid off.

The only other issue of bonds now outstanding against the State is that representing the balance of the purchase price, yet unpaid, for the Wenatchee Bridge. This balance amounts to $50,000.00 and is properly payable from the Public Highway Fund. I recommend that an appropriation of $52,000.00 be made from the Public Highway Fund to be used in the retirement of these bonds and the payment of interest due. Under the provisions of the bonds, the Legislature would be called upon at this session to appropriate $28,480.00 for the payment of bonds which will become due during the next two years and the payment of interest upon the bonds. The additional appropriation required to retire all of the bonds amounts to only $23,520.00.

The retirement of these two issues of bonds will place the State in the position of not having a single dollar of outstand-

ing bonded indebtedness, and I am sure all will agree with me that this is a most desirable condition for the State to achieve.

The following is a statement of the moneys received by me as Governor and transmitted to the State Treasurer, from January 1, 1915, to and including December 31, 1916:

MONEYS RECEIVED BY THE GOVERNOR, JANUARY 1, 1915, TO DECEMBER 31, 1916.

Notary fees from 2,075 applicants		$20,750 00
Commissioner of Deed fees from four applicants		20 00
From Federal Government as National Aid to:		
Soldiers' Home, Orting	$61,975 00	
Veterans' Home, Retsil	66,450 00	128,425 00
From Federal Government on 5 per cent Refund of Sales of Public Lands		22,410 65
From Federal Government for Refund on Forest Reserve Revenue		74,650 46
From States requiring extradition fees of other states		107 50
Total		$246,363 61

MILITARY FUNDS, ON DEPOSIT.

Olympia National Bank	$2,254 50
Capital National Bank	330 00
Total	$2,584 50

CONDITION OF GENERAL FUND.

The next statement shows the condition of the general fund at the close of business on December 31, 1912, the amount on hand in the same fund December 31, 1914, and the amount on hand at the close of business December 31, 1916:

December 31, 1912—Overdraft	$369,327 69
December 31, 1914—Balance on hand	400,016 37
December 31, 1916—Balance on hand	1,083,674 37

CONDITION OF PERMANENT FUNDS.

The amounts on hand in the permanent funds of the State at the close of business December 31, 1912, and the amounts on hand December 31, 1916, are shown in the following statement, together with the amount of bonds purchased during the four

years included between the two dates, and the amount of bonds redeemed:

	Balance December 31, 1912	Purchased During Four Years	Redeemed During Four Years	Balance December 31, 1916
Permanent School	$8,706,006 62	$3,854,557 50	$1,843,016 62	$10,717,547 50
University Permanent	92,750 00	34,500 00	12,850 00	114,400 00
Scientific Permanent	247,600 00	190,400 00	71,450 00	366,550 00
C., E., P. and R. I. Permanent	271,870 00	160,650 00	66,450 00	366,070 00
Agricultural Permanent	172,565 00	201,352 05	78,610 00	295,327 05
Normal Permanent	164,400 00	191,418 52	67,600 00	288,218 52
Total Bonds	$9,655,211 62	$4,632,878 07	$2,139,976 62	$12,148,113 07
Cash in six funds	565,701 91			1,135,269 42
Total Bonds and Cash.	$10,220,913 53			$13,283,382 49

CAPITOL BUILDING FUND.

Four years ago the Legislature passed an act authorizing the issuance of bonds against the Capitol Building Fund to the amount of $4,000,000.00, the proceeds to be used in paying back to the general fund of the State the amounts advanced from that fund in the past; to take up all outstanding warrants; for the completion of the Temple of Justice, and for other construction work necessary in connection with a group of Capitol Buildings.

Under the provisions of this Act, the guarantee of the State was given to the bonds, and to interest which might accrue thereon. To determine the legality of this action by the Legislature, the questions involved were submitted to the Supreme Court, and in its decision the Court held the Act to be unconstitutional with respect to the guarantee by the State.

The Legislature of 1915 passed another Act, providing for the issuance of bonds to the amount of $4,000,000.00, and in that Act endeavored to overcome the legal objections to the Act of 1913 by providing that the State guarantee only the interest on the bonds. This Act appropriated $1,500,000.00 from the funds received from the sale of bonds, to be used in paying back to the general fund the moneys advanced from that fund; to take up outstanding warrants and to complete the Temple of Justice.

Many efforts were made by the State Capitol Commission to dispose of these bonds and about a year ago it was decided to advertise them for sale. Bids were submitted and the best bid accepted by the Capitol Commission. All of the bids received were based upon a favorable decision by the Supreme Court, covering the legality of the bonds. The questions involved were presented to the Court, and its decision held against proceeding along the lines contemplated.

So that every possible avenue, which would assist in securing a complete presentation of the case to the Supreme Court, might be covered, it was decided by the Capitol Commission, after consultation with the Attorney General, to obtain the services of Caldwell, Masslich & Reed, prominent bond attorneys of New York, to assist the State's attorney in the preparation of the form of bond, and also to assist him in the presentation to the Supreme Court of the questions involved. This firm was decided upon by the Capitol Commission because of the fact that its opinion, if favorable, would be acceptable to bond buyers. An arrangement was made to pay for the services of this firm from the proceeds of the bond sale, had it been possible to sell the bonds. Under the decision of the Court, this cannot be done, and while the State is in no way legally bound to compensate Caldwell, Masslich & Reed, the Capitol Commission recommends that an appropriation be made by the Legislature for this purpose. I join in this recommendation.

I have had prepared and am herewith submitting statements showing the condition of the Capitol Building Fund and the estimated value of the timber and lands yet remaining in the Capitol Grant:

STATE CAPITOL BUILDING FUND DEBT, DECEMBER 31, 1916.

Warrants, including interest, called but not presented....		$774 67
Warrants upon which guaranteed interest is paid annually from and due to General Fund:		
Capitol Building, total issue, $350,000; April 1, 1901; 415-451	5%	185,000 00
Furniture: April 27, 1903; 452-476	5%	11,887 00
Capitol Building: May 13, 1903; 477-504	4%	76,500 00
Furniture: September 12, 1904—October 25, 1904; 505-507	5%	883 46
Capitol Building: January 17, 1905; 508-518	4%	5,534 04
Governor's residence: March 28, 1908; 519-553	5%	35,000 00
Capitol Building Improvement: March 28, 1908; 554-583	4%	30,000 00
Temple of Justice and Site: June 17, 1913—May 15, 1915; 584-605	5%	64,487 16
Total		$410,066 33
*Guaranteed interest paid by and due to General Fund to April 1, 1916		$333,042 38
Guaranteed interest accrued April 1 to December 31, 1916.		14,508 19
*For Capitol Commission, appropriation $12,000, Ch. 69, Laws 1909, and cruising capitol lands, appropriation $16,000, Ch. 20, Ex. Ses. Laws 1909. Total appropriation, $28,000. Amount expended and due General Fund (balance reverted)		25,661 16
*Temple of Justice, 1911 appropriation expended from and due General Fund		350,000 00
Total		$1,133,278 06
Less cash on hand in Capitol Building Fund Dec. 31, 1916..		7,504 07
Net Debt State Capitol Building Fund December 31, 1916..		$1,125,773 99

STATEMENT OF CAPITOL BUILDING GRANT, JANUARY 1, 1917.

COUNTY	Acreage	Value of Land	Feet of Timber	Value of Timber	Total Value
Capitol Commission Cruise.					
Clallam	27,584.56	$131,779 33	949,951,360	$971,238 18	$1,103,012 51
Clarke	4,847.43	13,988 87	125,494,000	145,547 25	159,531 12
Cowlitz	1,080.00	3,680 00	29,852,000	41,105 50	44,785 50
Douglas	3,160.00	46,326 90			46,326 90
Grays Harbor	3,851.40	13,744 69	181,942,000	398,665 75	412,410 44
Jefferson	8,467.70	44,662 62	260,072,000	337,383 20	382,045 82
Kitsap	240.00	600 00	4,026,000	3,969 00	4,569 00
Mason	5,549.08	15,215 82	109,071,000	151,622 29	166,838 11
Skagit	4,255.88	3,944 85	129,787,000	185,926 00	189,870 85
Skamania	3,913.23	2,570 55	71,773,000	37,186 50	39,757 05
Stevens	12,581.56	109,461 80	77,726,000	136,308 75	245,770 55
Wahkiakum	6,053.70	13,157 18	207,326,265	325,004 86	338,162 04
Totals	81,084.49	$404,127 61	2,167,020,625	$2,728,962 28	$3,133,079 89
County Cruise.					
King	7,296.57	$36,492 85	173,336,500	$346,673 00	$383,155 85
Lewis	11,676.64	29,191 60	503,502,173	757,022 29	786,213 89
Pacific	2,866.58	7,166 45	82,897,500	165,795 00	172,961 45
Pierce	10,108.49	50,542 45	311,373,250	610,834 00	661,376 45
Totals	113,082.77	$627,510 96	3,238,130,048	$4,609,276 57	$5,136,787 58

*Items due General Fund, total $706,708.54.

RECEIPTS OF CAPITOL BUILDING FUND FROM SALES OF LANDS AND TIMBER.

ITEMS	January 1, 1913, to December 31, 1914	January 1, 1915, to December 31, 1916	Total Collections for Four Years Ending December 31, 1916
Sale of timber	$59,235 10	$69,748 23	$128,983 33
Timber trespass	1,359 68	1,335 90	2,695 58
Paid on contracts	10,958 43	23,099 84	34,058 27
Interest paid on contracts	3,184 62	4,060 57	7,245 19
Received from sale of two cottages on capitol building site	109 50	.....	109 50
Fees	9 00	.....	9 00
Totals	$74,856 33	$98,244 54	$173,100 87

In addition to the above, the following amounts were collected by the Commissioner of Public Lands from January 1, 1913, to December 31, 1916, on the Capitol Grant, on sales made prior to March 8, 1909:

Rights to overflow	$ 454 20
Oil and gas leases	3,319 15
Use and occupancy	224 80
Paid on contracts	15,756 00
Interest paid on contracts	11,093 15
Mineral leases	40 00
Rental on leases	1,702 00
Extension on timber sales	2,240 00
Timber on right-of-way	11 40
Total	$34,840 70

The Capitol situation presents one of the serious problems before your Honorable Body for consideration. Practically all of the State Departments are now conducting their business in crowded quarters. During the period when the Legislature is not in session, much of the space you occupy is used by other Departments. This necessitates obtaining quarters outside the Capitol Building for such Departments during the sessions of the Legislature. The transfer of office records to and from rooms not suitable for their proper care and protection may result in serious loss to the State, for it would be impossible to replace many of these records should they be destroyed. The two decisions of the Supreme Court clearly show that it is im-

possible for the State to guarantee bonds issued against the Capitol Building Fund to the amount required for the payment of the present indebtedness against the Capitol Building Fund, and for the completion and construction of necessary buildings. This can only be done by a vote of the people.

To endeavor to dispose of all of the lands and timber in the Capitol Grant immediately, for the purpose of securing funds to pay all the indebtedness now standing against the Capitol Building Fund and to complete the Capitol Buildings, could but result in the sale of the property at much less than its true value and, in my opinion, such a plan would not produce sufficient funds to pay off the indebtedness and construct the buildings necessary. It is the opinion of the Capitol Commission, and in this I concur, that the greatest returns from the sale of Capitol lands and timber will be secured by disposing of the property at such times as there may be a demand for it. This demand is steadily increasing but not to a sufficient degree to justify us in believing that any new construction could be undertaken and paid for from the moneys received from this source for some time. I may say that the lands and timber sold during the past four years, have brought a figure greater than the estimated value.

Many citizens have suggested that capitol bonds be issued and purchased by the State with moneys on hand in the permanent funds of the State. The State Constitution fixes the class of securities in which the permanent funds may be invested, and in its decision covering the Act of 1913, the Supreme Court held that the State Board of Finance could not legally invest these funds in capitol building bonds.

A suggestion has been made that the Legislature might authorize the investment of moneys held in the Accident Fund of the Industrial Insurance Department in capitol bonds, as there is no constitutional provision fixing the class of securities in which this money shall be invested. $1,608,100 belonging to this fund is now invested in bonds. It is the opinion of those making the suggestion that by the State purchasing capitol building

bonds in the amount of approximately $1,500,000.00 with moneys in the Reserve for Pensions in the Accident Fund, the balance of the bond issue could be sold in the open market. I have not given sufficient consideration to this suggestion to express my views regarding it, but mention it at this time so that the Legislature may give it such consideration as it deems proper.

On January 1st, 1917, the outstanding indebtedness against the Capitol Building Fund amounted to $1,125,773.99. The estimate of the architects for the completion of the Temple of Justice shows that approximately $550,000.00 will be required for this purpose. The Capitol Commission believes that the building can be completed, without in any way impairing its usefulness or architectural beauty, by the expenditure of $450,000.00. The completion of this building, however, would not add to the available office space. It is now occupied by all of the Departments for which it was intended.

If any new work should be undertaken, the next great need of the State would be the construction of a Capitol Building. The estimate of the cost of such a building, made by the Capitol Commission, is $1,750,000.00. The improvement of the grounds and the purchase of the two blocks of land to be used as an entrance to the Capitol grounds from Main Street, which was authorized by the last Legislature, would fix the amount necessary for the payment of outstanding indebtedness, the completion of the Temple of Justice, the construction of a new Capitol Building, purchase of land and improvement of grounds, at not less than $3,500,000.00. Should such a complete plan as this be decided upon, it would also be advisable to construct a central heating and lighting plant. I am of the opinion that $4,000,000.00 will be required to do all of the work necessary to bring about a completion of buildings to the point where the State's needs will be cared for for many years to come, and to pay off present indebtedness. I may add that the Capitol site contains approximately thirty acres. All streets formerly platted and

running through the site have been vacated by the City of Olympia at the request of the Capitol Commission.

Should your Honorable Body desire to give consideration to this matter, the Capitol Commission stands ready to furnish you with all the information it has at hand and to assist you to the fullest degree in its power.

CONSTITUTIONAL CONVENTION.

In my Message delivered to the Legislature of 1915, I strongly urged that action be taken providing for the submission of the question of calling a Constitutional Convention to the voters at the general election held in November last. No action was taken by the Legislature toward carrying out this recommendation. With each passing year the need of a new State Constitution becomes more apparent. A simplification of State Government cannot be brought about to the degree necessary excepting by the adoption of a new State Constitution. A Constitutional Convention could give consideration to many matters affecting the management and operation of public affairs. There is a growing sentiment in favor of some type of commission form of government for the Counties of the State. This is but one of many reforms which are necessary to bring about a reduction in the cost of government. I will not take your time in detailing the many reasons why a Constitutional Convention would be advisable, but would respectfully direct your attention to that part of my Message delivered to the Legislature of 1915, relating to this important matter.

May I urge that action be taken by your Honorable Body to start the machinery in motion that will make possible the submission of a new Constitution to the people of the State at the earliest possible date.

PREFERENTIAL PRESIDENTIAL PRIMARY.

I am sure that the great majority of the voters of the State of Washington desire to be allowed to express their preference for their party nominee for President of the United States, and

would respectfully recommend the passage of a Preferential Presidential Primary Law, so that such expression may be given by the voters.

NON-PARTISANSHIP.

Recent elections clearly indicate that the spirit of partisanship, in connection with the selection of public officials, is rapidly disappearing. The people will be better served if it be entirely eliminated, and I beg to recommend the passage of a non-partisan election bill covering all State, County and City officials.

INTEREST ON DELINQUENT TAXES.

Under our present law, 15% is the rate of interest charged on delinquent taxes. While I appreciate that it might be difficult to secure the prompt payment of taxes if the rate of interest on delinquent taxes were to be reduced to a point equal to that charged in ordinary business, yet I cannot but feel that the present rate is excessive, and recommend that it be reduced to 12%.

PROHIBITION LAW.

The majority recorded against Initiative Measure Number 18, known as the Hotel Bill, by the voters at the last general election, was 215,036. The majority against Initiative Measure No. 24, known as the Brewers' Bill, was 146,556. These majorities clearly indicate a sentiment among the people opposed to conditions such as existed prior to the enactment into law of Initiative Measure No. 3. Personally I feel that our State ought to follow the lines adopted by the adjoining States of Oregon and Idaho, and its Legislature pass a bill that will also make it illegal to import intoxicating liquors into the State. The tendency is clearly toward nation-wide prohibition; the State of Washington has indicated its views by the advanced steps already taken. The benefit to the people is so apparent that I believe you will be acting wisely if you enact into law at this time, a measure that will bring about absolute prohibition in the State.

Two years ago I urged the Legislature to appropriate and place in the hands of the Governor and the Attorney General, $50,000.00, to be used in securing evidence and prosecuting violators of the law known as Initiative Measure No. 3. I believed then, and am still of the opinion, that the State ought to render aid to the civil authorities in bringing about a proper enforcement of this law. I again urge that an appropriation be made for this purpose. If you consider the amount recommended two years ago too large, I would suggest that $25,000.00 be appropriated.

EDUCATIONAL INSTITUTIONS.

There is no more important problem calling for action on the part of your Honorable Body, than that of fixing the millage tax to be raised for the institutions of higher learning, during the next six years, and bringing about a settlement of the differences existing regarding the duplication of courses of study in the different educational institutions.

For many years these differences have existed and but few sessions of the Legislature have escaped having the matter before them in some form. Two years ago much time was occupied by the committees of the Legislature in endeavoring to bring about a permanent solution of the problem. An Act was passed appointing an Educational Survey Commission consisting of three members of the Senate and three members of the House of Representatives, and directing the Commission to make a complete survey and to place its report in the hands of the Governor not later than April 30th, 1916. This report was filed, and I am today placing it in the hands of your Honorable Body. The Commission had expected to have printed copies of the report furnished by the Federal Bureau of Education. Up to this time they have not been received and I would suggest, unless you are advised that they will be in your hands in the near future, that it might be advisable to arrange for the printing of this important report, so that all of the members of the Legislature can have a copy of it in their possession.

One of the elements entering into the desire for elimination of duplicated courses of study was that of reducing the cost to the taxpayers of maintaining the higher educational institutions. The millage tax, which is now the basis for raising revenue, amounts to 1.05 mills and, based upon the present property valuation of the State, will produce approximately $2,073,414.00 each two years. It is divided between the five institutions as follows:

MILLAGE TAX UNDER PRESENT LAW.

	Mills	Revenue Produced Two Years
University of Washington	.475	$937,972 00
State College	.325	641,770 00
Bellingham Normal School	.090	177,722 00
Cheney Normal School	.090	177,722 00
Ellensburg Normal School	.070	138,228 00
Totals	1.05 mills	$2,073,414 00

The Educational Survey Commission in its report recommends that the Legislature fix the millage tax at the present session at 1.90 mills. This levy would produce, based upon present property valuations in the State, approximately $3,751,886.00 during the biennium, making an increase of approximately $1,678,472.00 in the cost of maintaining our higher educational institutions during a two-year period.

The millage tax recommended by the Commission provides that 1.71 mills shall be raised for maintenance and .19 mills for buildings, and is proportioned among the five institutions as follows:

MILLAGE TAX RECOMMENDED BY EDUCATIONAL SURVEY COMMISSION.
FOR MAINTENANCE.

	Mills	Revenue Produced Two Years
University of Washington	.85	$1,678,478 00
State College	.51	1,007,086 00
Bellingham Normal School	.14	276,454 00
Cheney Normal School	.12	236,962 00
Ellensburg Normal School	.09	177,720 00
Totals	1.71 mills	$3,376,700 00

FOR BUILDINGS.

	Mills	Revenue Produced Two Years
University of Washington	.06	$98,734 00
State College	.04	78,986 00
Bellingham Normal School	.04	78,986 00
Cheney Normal School	.0225	44,430 00
Ellensburg Normal School	.0375	74,050 00
Totals	.19 mills	$375,186 00

	Mills	Revenue Produced Two Years
For maintenance, all institutions	1.71	$3,376,700 00
For buildings, all institutions	.19	375,186 00
Totals	1.90 mills	$3,751,886 00

These statements clearly show that even though the elimination of duplication in courses of study, as recommended by the Educational Survey Commission, may also eliminate some cost, yet the demands of the institutions, as viewed by the Commission, call for the raising of about 80 per cent more revenue than is produced from the present millage tax levy.

The requests of some of the institutions for appropriations covering the two years beginning April 1st, next, are greater in amount than would be raised even though the millage tax as recommended by the Commission, is fixed by your Honorable Body.

The report also carries the following recommendation:

"The Commission believes that the needs of the State will soon require a fourth Normal School, as suggested in the report of the Experts, and recommends that one be established as soon as the financial conditions of the State will justify."

As no provision is made in the millage tax, recommended by the Survey Commission, to cover the cost of maintaining a fourth Normal School, nor for a site and new buildings and equipment, which would be required, it will be necessary for your Honorable Body to add to the millage tax, as recom-

mended, an amount sufficient to cover these additional expenditures, if you look with favor upon the establishment of a fourth Normal School at any time during the period the millage tax you decide upon, shall continue.

Personally, it appears to me that it would be advisable for the Legislature to fix a maximum capacity to which the present Normal Schools shall be increased, then have such a plan followed out, before providing for the establishment of a fourth Normal School.

It has been suggested by some that on account of the differences of opinion existing between the members of the Boards of Regents and Presidents of some of the higher educational institutions that I, as Governor, take upon myself the problem of settling these differences. I would not presume to take such action, especially as the Legislature now has before it a report submitted by a Commission consisting of its members, selected by the last Legislature, to make an educational survey. I may say, I have confidence in the members of the Boards of Regents, selected by me, to have charge of the educational institutions. I believe these Regents have acted wisely in their selections of those who have been placed in charge of the institutions, and even though there may be differences of opinion existing, this ought not to be taken as evidence that the individuals are not capable men.

Personally, I believe that one of the most important questions to be taken up by the Legislature, in connection with this problem, is that of cost. There is a grave question in my mind as to whether or not the State can afford to make the rapid progress recommended by the Educational Survey Commission. I am sure all will agree that we desire to have our educational institutions properly maintained. I doubt the advisability, however, of making the progress so rapid as to call for the expenditure of almost twice the amount of money in the next two years, as compared with that used during the past two years.

The action taken during the present session of the Legislature ought to be along the line of settling for all time the differ-

ences of opinion existing between those in charge of the different institutions. It also ought to be based upon permanent and not temporary advancement of the institutions. To bring about this permanent advancement it would be unwise to make the burden of taxation so great that it might easily result in the creation of a feeling of opposition to the institutions in the future.

I still doubt the advisability of placing the five institutions under the control of one Board of Regents.

I sincerely hope it may be possible for your Honorable Body to bring about a fair and permanent solution of this most important question, and beg to assure you that I stand ready to assist you to the fullest of my ability.

STATE BOARD OF CONTROL.

The State Board of Control has under its direction eleven of the State Institutions. These are the three Hospitals for the Insane, two Soldiers' Homes, Institution for Feeble Minded, School for Deaf, School for Blind, State Training School for Boys, State School for Girls, and the State Penitentiary. The State Reformatory is in charge of a Board of Managers consisting of five members. So that this institution might have the benefit of the knowledge gained by the members of the Board of Control in their work in connection with handling the eleven institutions in their charge, shortly after assuming the office of Governor I appointed the members of the Board of Control as members of the Board of Reformatory Managers. I recommended to the Legislature of 1913, and again to the Legislature of 1915, that the Board of Reformatory Managers be abolished, and the institution placed in charge of the Board of Control. I still feel that there is no more reason for a separate Board to manage the State Reformatory than exists in connection with the other institutions in charge of the Board of Control, and would respectfully renew my recommendation that the Board of Reformatory Managers be abolished and the duties

now performed by that Board placed in charge of the Board of Control.

The following comparative statement shows the per-capita cost of maintenance of the institutions in charge of the Board of Control, and also the State Reformatory, for the two-year periods ending September 30, 1912, 1914 and 1916. The number of inmates being cared for at each of the institutions on January 1, 1917, is also included in the statement:

STATEMENT OF INSTITUTION MAINTENANCE COST AND POPULATION.

INSTITUTION	Biennium Ending September 30, 1912	Biennium Ending September 30, 1914	Biennium Ending September 30, 1916	Number at Institutions January 1, 1917
Western State Hospital	$0.5027	$0.4383	$0.4240	1,350
Eastern State Hospital	.5126	.4363	.4350	1,090
Northern State Hospital	.8125	.5189	.5400	683
Institution for Feeble Minded	.7065	.5412	.5300	550
State Soldiers' Home	.5228	.5673	.5000	277
State Soldiers' Home Colony	.....	.....	.....	154
Washington Veterans' Home	.7405	.6168	.4340	534
School for Deaf	1.2360	1.0292	1.1100	109
School for Blind	1.4950	1.1486	1.2600	57
State Penitentiary	.5017	.4382	.4360	647
State Training School	.6581	.5482	.8280	134
State School for Girls	.....	.....	.7500	103
State Reformatory	.6261	.7806	.7080	260
Average daily per-capita cost	$0.5880	$0.5104	$0.5026	
Total number at institutions	.....	.....	.....	5,948

This statement will, I believe, convince all who give study to it that practically all of the institutions have been maintained, during the past two years, at a reasonable cost. Especially do we feel that this is the case when we consider the steady increase there has been in the cost of almost all of the supplies required for the institutions. This condition has been brought about without in any way allowing the State's properties to deteriorate, and the standard of food and clothing supplies for the inmates has been maintained. In fact, I believe it can be said that the conditions existing at the institutions have been materially improved during the past two years.

There are two or three of the institutions where, in my opinion, the cost of maintenance is too high. I realize that

whenever efforts are made to reduce the maintenance costs of public institutions, the claim is immediately advanced by some persons that the inmates of the institutions are not being properly provided for. The results show that where reductions were made, it was as a result of carefully guarding all of the small details in connection with the management of the institutions, and in every instance conditions have been improved rather than injured, and the cost to the taxpayers has been reduced. Every effort possible will be put forth during the next two years to bring about a reduced cost in the institutions where the maintenance cost now appears to be too high.

I will not take your time by presenting in detail the accomplishments in connection with the management of these institutions during the past four years, nor the needs for the next two years, but would respectfully call your attention to the printed reports covering the institutions, and also the recommendations for appropriations made by the Board of Finance in its budget. I do, however, desire to especially urge that the appropriation asked for a woman's building at the State Penitentiary be allowed. The building in which the women prisoners are now housed is inside the main wall of the Prison. If the appropriation requested is made by your Honorable Body, a new building will be located outside the main wall, making possible absolute segregation of the sexes at the State Penitentiary.

TAX COMMISSION.

I again renew the recommendation made by me to the Legislatures of 1913 and 1915 that the State Board of Tax Commissioners be abolished and that the duties now performed by the Commission be placed in the hands of one Tax Commissioner.

A number of changes in the taxation laws of the State are recommended by the Tax Commission. To bring some of these about would require amendments to the State Constitution. As there now appears to be a bright prospect of the question of a new Constitution being submitted to the voters of the State at the next general election, it would probably be advisable to

leave this matter for the consideration of the members of the Constitutional Convention.

Should action not be taken by your Honorable Body looking to the calling of a Constitutional Convention, I urge your careful consideration of the recommendations made by the Tax Commission.

BOARD OF EQUALIZATION.

At the last session of the Legislature, an Act was passed changing the membership of the State Board of Equalization. Under the provisions of this Act, the Board now consists of the State Auditor, the Commissioner of Public Lands and one Member of the Public Service Commission. Prior to the enactment of this law, the three members of the Tax Commission, the State Auditor and the Commissioner of Public Lands formed its membership.

The work of the Board of Equalization is clearly along lines requiring the knowledge and information possessed by members of the Tax Commission. I therefore recommend that if the office of State Tax Commissioner is created, he be named a member of the Board of Equalization. Should the decision of your Honorable Body be opposed to the abolition of the Tax Commission, the three members of that Commission ought to be again placed on the State Board of Equalization.

BOARD OF STATE LAND COMMISSIONERS.

A change was also made in the membership of the Board of State Land Commissioners by the last Legislature. The State Tax Commissioner, if such a position be created, on account of his knowledge of land values, would be a valuable member of this Board, and I respectfully recommend that the Tax Commissioner be named as a member of the Board of State Land Commissioners.

INDUSTRIAL INSURANCE COMMISSION.

As a result of the steady increase in the number of industrial enterprises in the State and the larger business being transacted by the plants heretofore operated, the work of this Department shows a large increase over preceding years. During 1916 there has been an increase of about 45% in the number of claims presented to the Commission for its consideration, when compared with the business of 1915. As a result of this increase, it will require the greatest care on the part of those in charge of the Department to complete the work of the present biennium with the appropriation made by the last Legislature. A greater appropriation is being called for to conduct the Department during the next two years. The Commission also recommends the payment of larger salaries to some of its assistants. I feel that these recommendations ought to have your favorable consideration, for many of the salaries paid by the State, in this Department, are much less than are paid by corporations for the same kind of service.

In November 1915, it was found that there had been presented to and paid by the Commission a number of forged claims against the Accident Fund. Following the discovery of the defalcation, a complete and thorough check of all claims filed with the Department from the inception of the law disclosed that fifty-two fraudulent claims had been paid. Seventeen of these claims were for large amounts, ranging from $885.00 to $1,340.00, and the thirty-five other fraudulent claims were in amounts ranging from $12.00 to $114.00. The total of the fraudulent claims was $20,047.35.

The methods adopted in preparing and securing payment on the claims, clearly indicated that it could not have been accomplished without the assistance of some person having a thorough knowledge of the Department and its methods of handling claims. Sufficient evidence was secured so that on December 13, 1915, an information was filed in the Superior Court for Thurston County, charging John F. Gillies, who had occupied

the position of Chief Claim Agent of the Department since its organization, with Forgery in the First Degree. On December 14, 1915, a charge of Grand Larceny was also filed against Gillies. A verdict of guilty was rendered in the first case on February 3, 1916, and the defendant was found guilty in the second case on February 24, 1916. The sentences imposed were one of four years and six months, minimum, covering the Forgery charge, and one of a minimum of not less than one year, to commence at the termination of the sentence imposed in the Forgery case, covering the Grand Larceny charge, both sentences being to the State Penitentiary at Walla Walla.

An information was filed against Frank W. Stone on December 13, 1915, charging Forgery in the First Degree. After an unsuccessful effort had been made to locate Stone, a reward was offered for his apprehension. He was arrested in Portland, Oregon, on December 26, 1915. During the first trial of the Chief Claim Agent, his accomplice, Stone, who was held in the Olympia City Jail, made a confession to myself in the presence of the Attorney General and later to the Assistant Attorney General, who had charge of the trials. The evidence furnished by Stone was used in both of the Gillies trials. Stone entered a plea of guilty to the charge of Forgery and sentence was imposed March 31, 1916, the defendant being committed to the State Penitentiary at Walla Walla, for a period of not less than one year. Gillies made his escape from the Thurston County Jail, where he was being held pending expiration of the time allowed for appeal to the Supreme Court. A reward for his apprehension was offered and he was captured at Key West, Florida, about two weeks later, and was delivered to the State Penitentiary by guards sent to Key West to return him to this State.

The resignations of the three members of the Industrial Insurance Commission were requested after the close of the trials, and the Commissioners now in charge of the Department were appointed.

On January 3, 1916, an examination and inspection of all of the records of the Industrial Insurance Commission was started by the State Auditor. Not having sufficient funds in the appropriation made by the last Legislature for the Bureau of Inspection and Supervision of Public Offices to complete the investigation, a request was made by the State Auditor that he be allowed to use a part of the appropriation made for the Industrial Insurance Department. Desiring to assist to the fullest possible degree in bringing about a thorough inspection of the Department, and acting upon an opinion expressed by the Attorney General that the fund could be so used legally, I approved the request made and $2,500.00 of the Industrial Insurance Department appropriation was used by the State Auditor for this purpose. The report of the Bureau of Inspection and Supervision of Public Offices, prepared under the direction of the State Auditor, was completed on October 21, 1916, and a copy of it placed in the hands of the Industrial Insurance Commission. I desire to urge that a special committee be appointed by your Honorable Body to inspect and investigate this Department and to consider the report submitted by the Bureau, covering its examination. The members of the Industrial Insurance Commission join me in the request for the appointment of this special committee.

PENSION RESERVE.

On January 1, 1917, the pension rolls of the Industrial Insurance Department were carrying 764 pension cases for which reserves have been set aside, the total reserve fund of that date amounting to $1,720,840.54, out of which the monthly pension allowances are paid. Of this amount, $1,608,100.00 have been invested in bonds, these bonds bearing interest at an average rate of 4.76½%.

It has been officially reported by the Bureau of Inspection and Supervision of Public Offices that the pension reserve set aside by the Commission, in each case, is insufficient to carry the pensioner to the end of the expectancy period, and that on Janu-

ary 1, 1916 there existed a shortage in the pension reserve fund amounting to over $500,000.00. These reserves are computed and set aside in accordance with the law as interpreted by the Attorney General, and while it appears at this time that at the present interest earnings, they are insufficient to pay out the expectancy, it should be taken into consideration that since the law became effective in 1911, over $267,000.00 has reverted to the Accident Fund, under the provisions of the Industrial Insurance Law, on account of deaths or re-marriages. It is, therefore, obvious that it will require a long term of years to learn the ultimate effect of these reversions and to what extent the reserves, as now set aside, are deficient. It is a matter, however, that can only be changed by legislative action, and I would suggest it be given your consideration.

FIRST AID AND MEDICAL ATTENDANCE.

The last Legislature had before if for consideration, the adoption of a bill providing for "first aid and medical attendance" for those coming under the provisions of the Industrial Insurance Law. One of the bills presented was prepared by a special commission appointed by me to draft such a measure. The majority of the members of the Legislature did not look with favor upon this bill, and passed one introduced by a member of the State Senate. It came before me for consideration after the adjournment of the Legislature and, feeling it did not meet the requirements of the situation, it was vetoed.

I consider it the duty of the present Legislature to pass a fair and just "first aid and medical attendance" bill, and sincerely hope such a bill will receive your favorable consideration.

STATE HIGHWAY DEPARTMENT.

I respectfully request that your earnest consideration be given to the recommendations made by the State Highway Commissioner in his report, which has been printed and is before you. The recommendation relating to the disposal of the rock quarries owned by the State is an important one. Over

$250,000.00 were invested in the five quarries and their equipment, some years ago. But two of the quarries have been operated during the past two years. The results obtained from their operation have not been satisfactory, and the three quarries which have been closed for some years, can be operated only at a loss to the State.

I approve the recommendation of the Highway Commissioner that 25% of the surplus of all automobile license fees, over and above the expenses of operating the Automobile Department, be placed in the Public Highway Fund, to be used for the maintenance and repair of state highways. Under the present law, all of this fund is now placed in the hands of the County Commissioners of the different Counties, and expended by them. The state highways are among the most generally used roads in the State, and it seems but fair that a portion of the state automobile fees should be used for their maintenance.

I strongly approve the recommendation that no new state roads be established until the present system of state highways is completed.

There is no person in the State better qualified to outline the highways upon which the appropriations for the next two years shall be expended, than the State Highway Commissioner. He has prepared, and will submit to your committees having charge of this important part of the State's work, his recommendations. The program has been outlined in connection with the expenditure of federal appropriations upon highways in the State. I sincerely hope favorable consideration will be given to his recommendations, to the end that the best possible results may be obtained in the expenditure of the Highway Fund, and that work will be proceeded with on those highways where it is most needed.

The construction of state highways is being brought about without the issuance of bonds. It is progressing rapidly with the annual 1 mill levy now fixed by law. I believe this method of producing funds for highway construction ought to be continued.

BUDGET SYSTEM.

There has been presented to your Honorable Body the Budget prepared by the State Board of Finance in accordance with the law passed by the last Legislature. It was prepared and printed in a concise and abstract form, and while we do not feel it to be as complete in detail as possibly might be desired by the Legislature, we hope it may be of assistance to the members in deciding upon appropriations to be made. Reductions amounting to many hundreds of thousands of dollars were made by the Board of Finance from the recommendations submitted by the heads of Departments and Institutions.

Under the provisions of the Budget Law, all cost incurred in its preparation is paid from the appropriation for the Governor's Office. The Board of Finance recommends that an appropriation of $500.00 be made to cover the cost of preparing the next Budget.

Personally I look upon the present Budget Law as but a small start along the lines of a satisfactory budget system for the State. The Governor, as Chief Executive Officer for the State, ought to have the full responsibility for the preparation of the Budget placed upon him. The Legislature ought to retain to itself the right to reduce any amounts he might recommend in the Budget; but to make the Budget truly effective, the Legislature ought not to have the power to increase amounts recommended. A provision ought to be included in such a law allowing the Chief Executive to submit a Supplemental Budget, while the Legislature is in session, so that, should any unexpected conditions arise making absolutely necessary an increase in the appropriations recommended by any department or institution, it would be possible to cover such an emergency.

While upon first thought it might appear that such a law would be placing too great a power in the hands of the Chief Executive, the Legislature would have the right to reduce any appropriations that, in its opinion, were excessive. The power given to the Governor would only be along the line of holding

down appropriations. Such a law would firmly fix responsibility for excessive appropriations upon him, and this is a condition, I believe, that the people of the State desire.

As the present Budget Law provides for the submission of the Budget by the Board of Finance, without in any way binding the Legislature to follow the recommendations made, the results of this, the first use of the Budget plan, will be awaited with interest.

MILITARY DEPARTMENT.

The maximum levy allowed by law for military purposes is twenty one-hundredths (20-100) of a mill. For some time a levy of eleven one-hundredths (11-100) of a mill was fixed by the State Board of Equalization. This levy raised approximately $110,000.00 a year. In fixing the levy in 1915, it was decided to increase it to the maximum, which produces approximately $200,000.00 per annum. As a result of this increase in the levy, it is probable that there will be nearly $100,000.00 on hand in the Military Fund on April 1st, which is the beginning of the next biennium. With the present levy and including the probable balance in the fund on April 1st next, there will be available for expenditure during the coming two years approximately $490,000.00.

So that the State may comply with the Act passed by Congress in June last, providing for increasing the National Guard of the several States, the Adjutant General recommends that appropriations amounting to $435,393.64 be made for general maintenance purposes for the National Guard Companies now existing, for new Companies to be formed, and for the Naval Militia. He also recommends that $480,380.00 be appropriated for the construction of new armories and enlarging armories now in use. This brings the total recommended for the Military Department up to $915,773.64. As before stated, the amount available during the coming two years, with the present tax levy, will be approximately $490,000.00.

In the new Military Code, prepared by officers of the National Guard, which will be submitted to the Legislature for its consideration, a maximum levy of one mill is recommended for military purposes. This would produce almost $1,000,000.00 a year. The Adjutant General states that, in his opinion, a maximum levy of eight-tenths (8-10) of a mill, would be sufficient. This would raise a fund of almost $800,000.00 a year. The present levy produces a little under $200,000.00 a year. I do not feel that the levy for military purposes ought to be increased to either of the maximums suggested.

I have endeavored to keep in touch with the movements made by the Federal Government during the past few months, in connection with military affairs, and have arrived at the conclusion that no person can now foresee just what lines are going to be established looking to permanency in this matter. The statements made by men prominent in National military affairs, at the hearings held in Washington City recently, indicate that they have but little confidence in the National Guard becoming a factor of importance in the military organization of the country. If this view be taken by Members of Congress, it is probable there may be a modification of the National Guard Bill which was passed last June. The unsettled conditions now existing in relation to military affairs and the criticisms of the National Guard by prominent officers of the regular army, have caused a condition which makes it almost impossible to secure new enlistments into the National Guard. Many of the members of the Guard are retiring from active service as soon as they can legally do so.

It seems to me that the best plan for the Legislature to adopt, under these circumstances, would be to go over the recommendations made by the Adjutant General and reduce them wherever possible, with a view to endeavoring to maintain a smaller and more efficient National Guard, rather than to provide at the present session for appropriations for new buildings, such as would be needed in five years under the present program of the Federal Government relating to the National

Guard. If this plan is followed the State will probably be able to build up its National Guard to the point required by the Federal Government during the next two-year period, and by the time another session of the Legislature is held, the military policy will be so fixed that we can then act with a full understanding of what is required. Should there be sufficient funds remaining after maintenance needs have been cared for, the matter of providing new Armories at Walla Walla and Aberdeen ought to be given consideration.

The State of Washington was the only State in the Union which sent its troops into the Federal Service at full war strength, when the call was made last June. The number of officers and men in the regiment and companies ordered out on the day the call was received, was 1,079. Ten days later, as a result of the efforts put forth to obtain new recruits, there were mustered into the Federal service 2,033 officers and men. Not a single officer appointment was made from regular army officers nor civilians, to any position, all positions being filled by commissioned officers of the National Guard. When it is taken into consideration that practically half the number mustered into Federal service from the State were new recruits, it seems to me that the regular army officers would not be justified in expecting the same service as would be rendered by seasoned soldiers. Such a result could not be obtained from a regiment of the regular army containing as many new recruits.

Reports received from the Mexican border while our regiment of Infantry was there, give credit to its officers and men for good service, and I desire now to express to them and also to the officers and men of the two companies yet stationed on the border, my profound appreciation on behalf of the State, for their promptness in answering the call and the earnestness with which they applied themselves to their duty.

Many expenses were incurred by the State, in connection with the mobilization of the troops, which properly ought to be paid by the Federal government. The Adjutant General will submit the information to you, covering this matter. I hope

your Honorable Body will memorialize Congress urging that the State be reimbursed.

FISHERIES DEPARTMENT.

Every possible effort is being put forth to increase the output of the salmon and trout hatcheries of the Fisheries Department. During the past four years ten new salmon hatcheries and three new trout hatcheries have been built and put in operation, and the capacity of a number of those in operation four years ago has been increased. The output of the hatcheries is double that of four years ago. The State now has a total of twenty-six salmon hatcheries and seven trout hatcheries.

The fishing industry holds an important place among the industries of the State. The cost of the operation of the Fisheries Department is paid from the receipts for license fees, etc., paid by those engaged in the industry. The State ought to continue the development in this Department and thus make still more valuable one of the State's great resources.

STATE AUDITOR'S DEPARTMENT.

I have on file in my office a copy of the first and only report on the State Auditor's Office, made by the Bureau of Inspection and Supervision of Public Offices. This report covers the period beginning October 1, 1912 and ending November 30, 1914, and was made by one of the State Examiners. I fail to find a record of any other examination and inspection of this Department.

The report of the State Examiner covers the fees paid by savings and loan associations to the State Auditor, licenses paid by aliens for the privilege of possessing fire arms, and the actual expenditures incurred in the operation of the Auditor's Office, such as clerical hire and incidentals. The following is quoted from the report of the State Examiner:

"When the question is asked 'Who audits the Auditor's office,' it must always be remembered in answer that the checking of any department or institution of the state 'checks the Auditor' to the extent of that division of the government. As one department after another receives

checking at the hands of the state examiners, a part of the detail of the process is the checking of the department's books with the State Auditor's books. These must always agree. If not, the Auditor's books, of course, control.

"When this process has been completed with every state office, it is manifest that every entry in the Auditor's books has been checked, for he is nothing more nor less than the head bookkeeper of the State. So, except for the few cash collections made by the Auditor (and nobody is so anxious as he that these should be made elsewhere), the query 'Who audits the Auditor' ought to answer itself."

In the State Auditor's Office is filed the original voucher covering every payment made by the State for all purposes. These vouchers cover in detail the items in payment for which a warrant is issued. It has been the rule of many of the State Departments to keep no detailed duplicate vouchers in their files. Even where such a detailed duplicate voucher system has been followed by Departments, the duplicate voucher is but a copy of the original. While a system of bookkeeping must be maintained by the State Auditor, and also the other Departments of the State, the original voucher is the best evidence of the purposes for which the funds have been expended. As these are filed with the State Auditor and he passes finally upon the correctness of the claims of all the Departments, the Legislature would be following the line adopted by all large corporations, in authorizing a thorough examination of the State Auditor's Office. As the Bureau of Inspection and Supervision of Public Offices is under the direct control of the State Auditor, the examination of the office ought not to be in its hands. Experts not regularly employed by the State should be engaged to do the work.

As there is no record of such an examination having been made since the State was organized, I would respectfully recommend that an appropriation be made and a thorough examination of the State Auditor's Office undertaken. The examination ought to cover a period of not less than eight years. I am not informed regarding what the probable cost would be; the amount appropriated however, ought to be sufficient to have the work undertaken and completed at the earliest possible date.

EXPOSITIONS.

An appropriation of $200,000.00 was made by the Legislature of 1913, $175,000.00 to be used in the construction of a building and the assembling of an exhibit showing the State's resources and possibilities, at the Panama-Pacific International Exposition at San Francisco; and $25,000.00 to be used at the Panama-California Exposition at San Diego. The Exposition at San Diego continued until December 31, 1916, but as the appropriation made by our State provided specifically that it was for Expositions held in 1915, the Washington Building at San Diego was closed on December 31, 1915.

After all bills had been paid, there reverted to the State Treasury an unused balance of $6,861.00 from the fund for the Panama-Pacific International Exposition, and $1,476.57 from the fund for the Panama-California Exposition.

I believe the State made a most creditable showing at both of these expositions, and desire now to express my appreciation for the valuable services rendered by the Commission in charge, and also by those associated with the Commission.

LIBRARY ADVISORY BOARD.

The Library Advisory Board has prepared and will present to you a report covering its findings, as a result of a survey of the State Libraries and their needs. I respectfully request that your careful consideration be given to the report of the Board, and to its recommendations.

WATER CODE.

A Water Code has been presented at previous sessions of the Legislature for consideration, but up to the present time, favorable action has not been taken. The matter will come before you again, at the present session, and I sincerely hope it will have your careful consideration, for the need of a Water Code in this State is apparent to all who have investigated the matter.

LEGISLATIVE REAPPORTIONMENT.

Under the provisions of the State Constitution it is the duty of the Legislature to "apportion and district anew the members of the Senate and House of Representatives according to the number of inhabitants," etc. The two preceding Legislatures have failed to carry out this direct mandate of the Constitution. I believe that a higher degree of efficiency would be secured if the State had but one Legislative Body consisting of say five members from each of the five Congressional Districts of the State, and respectfully recommend that this suggestion be given consideration when the question of legislative apportionment is taken up by your Honorable Body.

BUREAU OF INSPECTION AND SUPERVISION OF PUBLIC OFFICES.

Four years ago, in my first Inaugural Message to the Legislature, I recommended the abolishment of the Bureau of Inspection and Supervision of Public Offices and suggested that, in its place, the State Auditor be authorized to employ two or three expert accountants having experience with public records, whose duty it should be to work out and install in the public offices—state, county and city—simplified systems of accounting. No action was taken toward enacting the recommendation into law, and the Bureau has been continued.

One of the duties of the Bureau is to examine the records of the different Departments and Institutions of the State and make reports covering the results of these examinations. During the four years just ended many of the reports have been so grossly incorrect as to render them practically valueless. In the case of a report made covering the State Normal School at Ellensburg some time ago, there were so many mis-statements of the facts in it that a committee of Ellensburg citizens, of which one of the Members of your Honorable Body was a member, demanded its correction. Another inspection was made and the report revised. The figures given in the last report made

by the Bureau of Inspection covering the Fisheries Department were in many instances incorrect. The errors were called to the attention of the State Auditor, who is Chief of the Bureau, by the Fish Commissioner. The report, however, has not been corrected.

In the case of the report made by the Bureau covering the investigation of the Industrial Insurance Department, I may say that immediately upon its presentation to the Industrial Insurance Commission on October 26th last, a number of misstatements of facts were discovered by the Industrial Insurance Commissioners and corrections were then made by the Bureau of Inspection. As this report has been further examined and checked with the records, by the Industrial Insurance Commission, it is found that it contains many other errors. Such conditions as these are unfortunate, for the theory of the Bureau of Inspection and Supervision of Public Offices is that, as a result of its investigations, errors found in the records of the Departments and Institutions of the State may be corrected and also that any mis-application of the funds of any of the Departments or Institutions may be discovered. The reports of the Bureau are the "last word" in the matter of the bookkeeping and accounting in the State Departments. For this reason the work ought to be done only by those who are proficient and accurate in their work. Its reports are public documents and are filed as a part of the records of the State. The salaries paid in this Department are sufficient to command the services of competent examiners. Unless the reports submitted can be relied upon as correct, they become useless for the purposes for which they are intended.

The Bureau also has the authority, under the law creating it, to make examinations of county, city, school district and other public offices. While these examinations are made by the Bureau of Inspection, the cost for them is charged against the city, county or other sub-division of the government which is examined. I had hoped to be able to present in this Message a statement showing the total cost of these examinations to the

different sub-divisions of government, since the Bureau of Inspection was organized. The report had not been presented to me when this Message was prepared. I am sure however, from information I have, that it has amounted to many hundreds of thousands of dollars. There is great doubt as to whether the results accomplished from the examinations have justified their cost. The Bureau of Inspection and Supervision of Public Offices consists of three paid members, each receiving a salary of $2,500.00 a year. The State Auditor is *ex-officio* Chief of the Bureau.

I believe the needs of the State would be better served if this Bureau were abolished and in its place a law enacted providing for the appointment of one expert accountant at a salary of say, $3,600.00 a year, this official to have the authority to employ such expert accountants as might be necessary to conduct the examinations of all of the State Departments and Institutions. Should the Counties or Cities desire his services, in connection with the examination of any of their offices or departments or for the purpose of installing new record systems in the offices, the law could provide that upon a request being made by the Superior Judge or the County Commissioners of any County, he could take charge of and furnish experts to make the required examinations, the Counties or Cities to pay the actual cost incurred in the examinations. This could also be made to cover school districts and other sub-divisions of government.

The appointment of the official in charge of this work ought to be placed in the hands of the Governor. The Constitution of the State says: "The supreme executive power of this State shall be vested in a Governor." I recommend that the appointment of the expert in charge of this work be placed in the hands of the Governor, for the reason that I feel it to be a responsibility which he ought to assume.

This recommendation is presented by me in the hope that legislation may be enacted which will bring about more efficient results in connection with this, one of the most important matters in connection with the business of the State.

MISCELLANEOUS MATTERS.

Among other matters which I believe ought to have your earnest consideration and which are of vital importance, is the so-called "Logged-off Land" problem. If there is anything the State can do, without exceeding its proper province in questions of this character, to bring about larger results in connection with this problem, it ought to be undertaken. The advisability of the State engaging in the manufacture of powder is closely interwoven with the "Logged-off Land" problem and also ought to be considered.

Many persons who have given careful thought to the matter, believe the "Mothers' Pension" Act, now on the statute books, could be amended so as to more justly provide for the unfortunate situations arising in the State and with which it is concerned. I hope the matter will have the consideration of your Honorable Body.

The enactment of a law which will bring about better marketing conditions for those engaged in the different lines of agriculture is a subject which has received a great deal of attention during the past few years. Many States have already enacted statutes of this character. Some of the members of your Honorable Body are well informed regarding this problem, having given extended thought and investigation to it, and I hope the Legislature will give careful attention to such suggestions as they may make.

During the past two years there has been a remarkable development in the ship-building industry in the State. Some time ago Congress passed a law providing that training ships for mariners would be stationed at certain cities which were named in the Act and that $25,000.00 a year would be furnished for the proper care of each ship and for the education of those desiring to enter the maritime service, provided the States in which the cities are located appropriate an equal